

VAN METER COMMUNITY SCHOOL DISTRICT
VAN METER, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

TABLE OF CONTENTS

| | Page |
|---|-------|
| OFFICIALS | 3 |
| INDEPENDENT AUDITOR’S REPORT | 4-5 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) | 6-21 |
| BASIC FINANCIAL STATEMENTS | |
| Exhibit | |
| District-Wide Financial Statements: | |
| A Statement of Net Assets | 24-25 |
| B Statement of Activities | 26-29 |
| Governmental Fund Financial Statements: | |
| C Balance Sheet | 30-31 |
| D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets | 32 |
| E Statement of Revenues, Expenditures and Changes in Fund Balances | 33-34 |
| F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | 35 |
| Proprietary Fund Financial Statements: | |
| G Statement of Net Assets | 36 |
| H Statement of Revenues, Expenses and Changes in Net Assets | 37 |
| I Statement of Cash Flows | 38 |
| Fiduciary Fund Financial Statements: | |
| J Statement of Fiduciary Net Assets | 39 |
| Notes to Financial Statements | 40-53 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund | 56 |
| Notes to Required Supplementary Information – Budgetary Reporting | 57 |
| OTHER SUPPLEMENTARY INFORMATION: | |
| Schedule | |
| Nonmajor Governmental Funds: | |
| 1 Combining Balance Sheet | 60 |
| 2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 61 |
| 3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts | 62-63 |
| 4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund | 64 |
| 5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds | 65 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | |
| | 66-67 |
| SCHEDULE OF FINDINGS | 68-69 |

VAN METER COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------------------|------------------------------|---------------------|
| <u>Board of Education</u> | | |
| (Before September 2007 Election) | | |
| Dan Phillips | President | 2007 |
| Mark Miller | Vice President | 2008 |
| John Seefeld | Board Member | 2007 |
| Jim Folkerts | Board Member | 2009 |
| Randy Golightly | Board Member | 2009 |
| <u>Board of Education</u> | | |
| (After September 2007 Election) | | |
| Dan Phillips | President | 2009 |
| Jim Folkerts | Vice President | 2009 |
| Mark Miller | Board Member | 2008 |
| Randy Golightly | Board Member | 2009 |
| John Seefeld | Board Member | 2011 |
| <u>School Officials</u> | | |
| Greg DeTimmerman | Superintendent | 2010 |
| Shonna Trudo | District Secretary/Treasurer | 2008 |
| Elizabeth Grob | Attorney | Indefinite |

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Van Meter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2008 on our consideration of Van Meter Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 21 and 56 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hunt, Kain & Associates, P.C.

Van Meter Community School District
Van Meter, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Meter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
October 21, 2008

Van Meter Community School District

Management Discussion and Analysis

For the Year Ending June 30, 2008

Van Meter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District's general fund undesignated balance decreased from \$528,145 in 2007 to 282,377 in 2008. This decreased the District's solvency ratio to approximately 6% in 2008; down from nearly 11% in 2007. This decline in the District's general fund undesignated fund balance and solvency ratio was expected due to the October 2006 enrollment count, which drives the 2008 fiscal year state funding, decreasing by four students. In contrast, the number of students served in the District for 2008 increased by 35 students, resulting in a need to add 1.5 teachers to accommodate the growth. Because of this shortage in state funding, the District was forced to use part of its reserve funds. The District expects to increase their undesignated balance in fiscal year 2009, as the budget enrollment for 2009 increased by 39.5 students, which will bring an increase in state funding.
- The District began a construction project in the spring of 2008 to add a music room addition onto the existing building. This project's overall cost will be slightly less than a million dollars and should be completed by October 2008 (fiscal year 2009). This project will be paid for by School Infrastructure Local Option (SILO) dollars and the District's Physical Plant and Equipment Levy (PPEL). By moving the band room out of its existing location, this will help the District capture additional classrooms to help accommodate a growing enrollment in the secondary classes.
- The District had its fourth full year of receiving both Dallas County and Madison County School Infrastructure Local Option (SILO) taxes. The District continues to pass 25% of the Dallas County SILO proceeds on to the City of Van Meter per a 28E Agreement. In spring of 2008, the state legislature approved a statewide one cent sales tax. This will not impact the District's Dallas County or Madison County SILO revenues until these counties' SILO runs out in 2013 and 2014, respectively. However, this legislation does significantly impact the District's bonding capacity because it allows the District to borrow against future sales tax revenue.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1

Van Meter Community School District Annual Financial Report

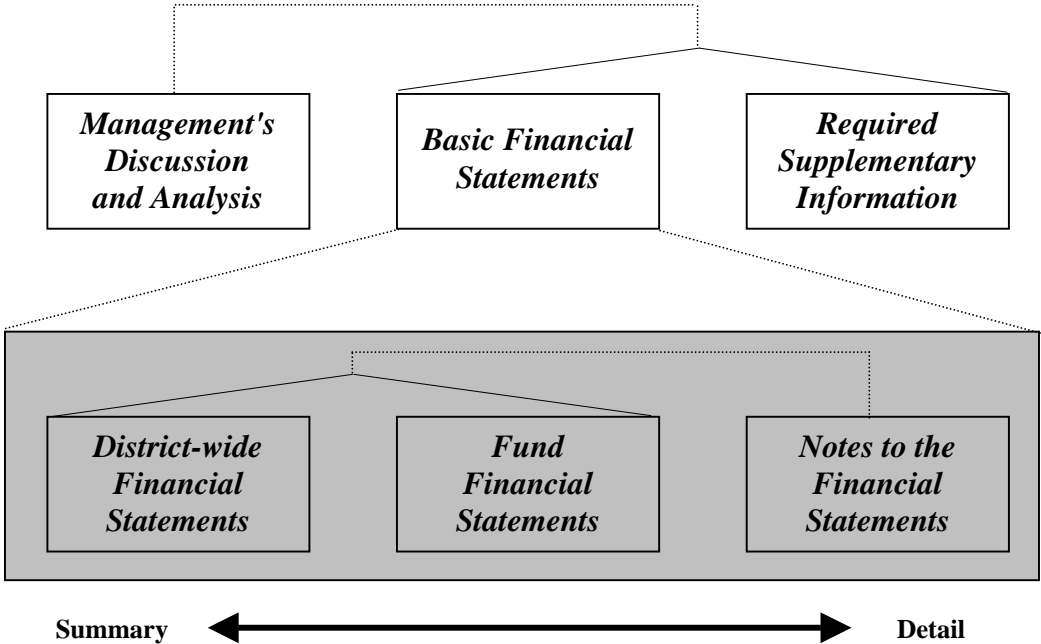


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

| | District-wide Statements | Fund Statements | | |
|--|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services and adult education | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

District-wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as twenty-five percent of all Dallas County SILO proceeds that the City of Van Meter is entitled to. As agreed upon in a 28E Agreement, the District receives a monthly payment from Dallas County for SILO, and then the District passes along 25% to the City of Van Meter. This is the only fiduciary fund the District has.
- The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Condensed Statement of Net Assets – Figure A-3 below provides a comparison of the District's net assets for the year ending June 30, 2008 as compared to the prior year.

| Summary of Net Assets June 30, 2008 | Figure A-3 | | | | | | |
|--|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|------------|
| | Governmental Activities | | Business-Type Activities | | Totals | | % Change |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| Current and Other Assets | \$ 7,708,671 | \$ 6,984,718 | \$ 14,096 | \$ 33,491 | \$ 7,722,767 | \$ 7,018,209 | 10% |
| Capital Assets | \$ 6,953,809 | \$ 6,710,299 | \$ 12,984 | \$ 11,141 | \$ 6,966,793 | \$ 6,721,440 | 4% |
| Total Assets | \$14,662,480 | \$13,695,017 | \$ 27,080 | \$ 44,632 | \$14,689,560 | \$13,739,649 | 7% |
| | | | | | \$ - | \$ - | |
| Current Liabilities | \$ 3,227,351 | \$ 2,570,256 | \$ 10,188 | \$ 6,741 | \$ 3,237,539 | \$ 2,576,997 | 26% |
| Long Term Liabilities | \$ 6,878,677 | \$ 7,095,297 | \$ - | \$ - | \$ 6,878,677 | \$ 7,095,297 | -3% |
| Total Liabilities | \$10,106,028 | \$ 9,665,553 | \$ 10,188 | \$ 6,741 | \$10,116,216 | \$ 9,672,294 | 5% |
| | | | | | \$ - | \$ - | |
| Net Assets | | | | | \$ - | \$ - | |
| Invested in Capital Assets, (net of related debt) | \$ 3,281,163 | \$ 2,826,003 | \$ 12,984 | \$ 11,141 | \$ 3,294,147 | \$ 2,837,144 | 16% |
| Restricted for: | | | | | \$ - | \$ - | |
| Management | \$ 46,410 | \$ - | | | \$ 46,410 | \$ - | 100% |
| PPEL | \$ 134,298 | \$ 8,540 | \$ - | \$ - | \$ 134,298 | \$ 8,540 | 1473% |
| Other Special Revenue | \$ 52,571 | \$ 45,171 | \$ - | \$ - | \$ 52,571 | \$ 45,171 | 16% |
| Capital Projects | \$ 550,594 | \$ 512,857 | \$ - | \$ - | \$ 550,594 | \$ 512,857 | 7% |
| Unrestricted | \$ 491,416 | \$ 636,893 | \$ 3,908 | \$ 26,750 | \$ 495,324 | \$ 663,643 | -25% |
| Total Net Assets | \$ 4,556,452 | \$ 4,029,464 | \$ 16,892 | \$ 37,891 | \$ 4,573,344 | \$ 4,067,355 | 12% |

Overall, the District's total assets increased slightly between years, increasing by 7%. Most of this increase was due to current assets in governmental activities increasing by \$723,953 or 11%. An increase in ISCAP investments of approximately \$400,000, cash and investments of nearly \$170,000, and property taxes of \$82,000 make up the majority of this increase in current assets within governmental activities.

Despite the increase to overall total assets, current assets within the business-type activities (school nutrition fund) actually decreased by approximately \$18,000. This decrease is entirely due to a decline in cash and investments on hand at year end due to this fund having a decline in net assets of just over \$18,000.

The District's total liabilities remained fairly consistent between 2007 and 2008, only increasing by 5%. Because the District was planning to participate in ISCAP in FY2009, Series A, ISCAP warrants payable of \$400,000 were included in both current assets and current liabilities since the ISCAP warrants were issued on June 26, 2008. This accounts for almost half of the increase in current liabilities from 2007 to 2008.

Changes in Net Assets

Figure A-4 below is a comparison in the changes to the District's net assets between 2007 and 2008.

| Change in District's Net Assets | Figure A-4 | | | | | | |
|--|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|---------------|
| June 30, 2008 | | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Totals | | % Change |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| Revenues | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 628,001 | \$ 610,798 | \$ 147,333 | \$ 147,818 | \$ 775,334 | \$ 758,616 | 2.20% |
| Operating Grants and Contributions | \$ 639,702 | \$ 520,078 | \$ 60,593 | \$ 53,354 | \$ 700,295 | \$ 573,432 | 22.12% |
| Capital Grants and Contributions | \$ 12,500 | \$ 35,000 | | | \$ 12,500 | \$ 35,000 | -64.29% |
| General Revenues | | | | | | | |
| Property Taxes | \$ 2,245,622 | \$ 2,035,591 | | | \$ 2,245,622 | \$ 2,035,591 | 10.32% |
| Local Option Sales and Service Tax | \$ 389,149 | \$ 387,639 | | | \$ 389,149 | \$ 387,639 | 0.39% |
| Income Surtax | \$ 265,839 | \$ 198,619 | | | \$ 265,839 | \$ 198,619 | 33.84% |
| State Grants (non-restricted) | \$ 1,988,327 | \$ 2,005,135 | | | \$ 1,988,327 | \$ 2,005,135 | -0.84% |
| Other | \$ 203,607 | \$ 222,992 | \$ 913 | \$ 1,319 | \$ 204,520 | \$ 224,311 | -8.82% |
| Total Revenues | \$ 6,372,747 | \$ 6,015,852 | \$ 208,839 | \$ 202,491 | \$ 6,581,586 | \$ 6,218,343 | 5.84% |
| Expenses | | | | | | | |
| Instruction Related | \$ 3,384,458 | \$ 2,953,356 | | | \$ 3,384,458 | \$ 2,953,356 | 14.60% |
| Student and Instructional Services | \$ 370,144 | \$ 373,048 | | | \$ 370,144 | \$ 373,048 | -0.78% |
| Administration Services | \$ 714,759 | \$ 662,178 | | | \$ 714,759 | \$ 662,178 | 7.94% |
| Plant Operation | \$ 433,730 | \$ 379,986 | | | \$ 433,730 | \$ 379,986 | 14.14% |
| Transportation Services | \$ 222,761 | \$ 217,230 | | | \$ 222,761 | \$ 217,230 | 2.55% |
| Other | \$ 719,907 | \$ 724,527 | \$ 229,838 | \$ 206,037 | \$ 949,745 | \$ 930,564 | 2.06% |
| Total Expenses | \$ 5,845,759 | \$ 5,310,325 | \$ 229,838 | \$ 206,037 | \$ 6,075,597 | \$ 5,516,362 | 10.14% |
| Increase (Decrease) in Net Assets | \$ 526,988 | \$ 705,527 | \$ (20,999) | \$ (3,546) | \$ 505,989 | \$ 701,981 | |

As shown above, total revenues increased by \$363,243 from 2007 to 2008, an increase of 9.19%. Over \$210,000 of this increase was due to an increase in property taxes receipts. This is a result of property valuations increasing by 7% and the District increasing its overall tax levy by \$.11.

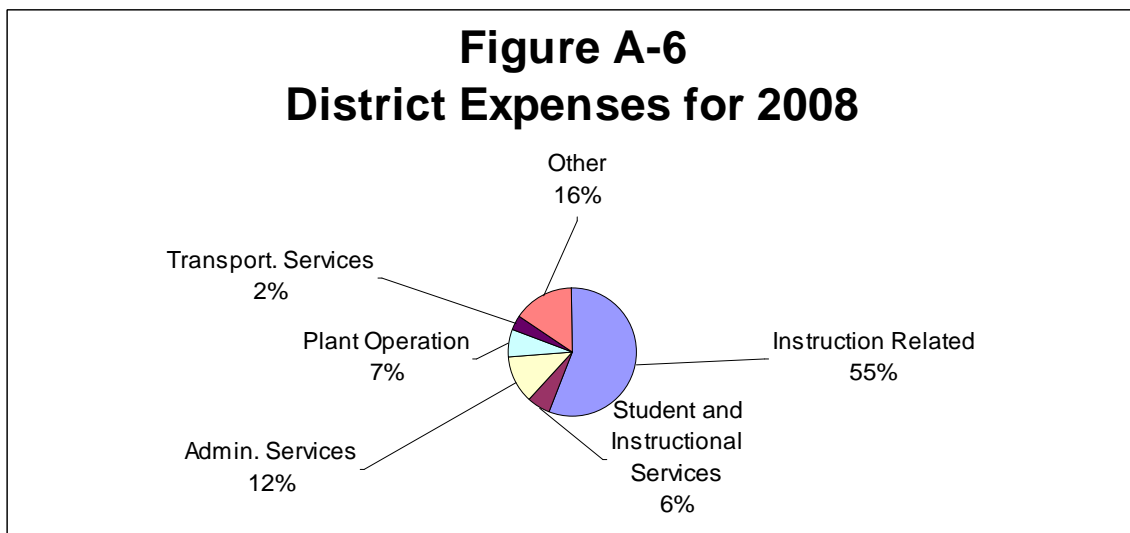
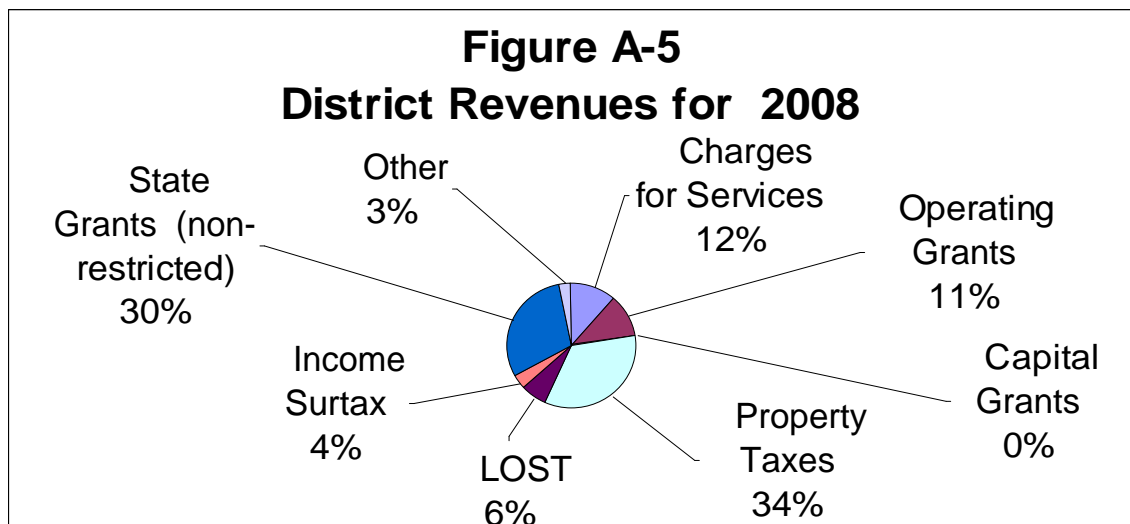
Expenses increased by \$559,235, which is a 10.14% increase between years. Over 75% of this increase in expenses is in the instructional area. The majority of this expense is related to teaching salaries. The district increased their teaching staff from 48 full time equivalents (FTEs) in 2007 to 49.5 in 2008. The overall salary/benefits package for staff increased by 5.25% between the years.

In Business-Type Activities (School Nutrition Fund), charges for services from students stayed nearly the same, actually decreasing by \$500 but expenses increased by over \$20,000. This was in part, due to an increase in food prices and salaries, but slightly fewer meals being served. This resulted in a decrease in net assets of nearly \$18,000.

The District had total revenues of \$6,581,586 of which \$6,372,747 (97%) was for governmental activities and \$208,839 (3%) was for business-type activities. These percent to totals remained the same between years.

As shown below, property taxes and state grants contribute 64% of overall District revenues, while expenses directly related to instruction make up over 59% of the District's overall governmental activities' costs.

In 2008, total District revenues surpassed expenses by \$505,989. Net assets are up 12% from 2007.



Governmental Activities

Figure A-7 below presents the cost of six major District activities: instruction, support services, administration services, plant operations, transportation, and other. The table also shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

| Net Cost of District's Governmental Activities | | | Figure A-7 | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| June 30, 2008 | | | | | | |
| | 2008 | | | 2007 | | |
| | Expenses | Revenues | Net | Expenses | Revenues | Net |
| Instruction Related | \$ 3,384,458 | \$ 1,032,760 | \$ 2,351,698 | \$ 2,953,356 | \$ 993,154 | \$ 1,960,202 |
| Student and Instructional Services | \$ 370,144 | \$ 35,525 | \$ 334,619 | \$ 373,048 | \$ 17,413 | \$ 355,635 |
| Administration Services | \$ 714,759 | \$ - | \$ 714,759 | \$ 662,178 | \$ - | \$ 662,178 |
| Plant Operation | \$ 433,730 | \$ 9,283 | \$ 424,447 | \$ 379,986 | \$ 5,435 | \$ 374,551 |
| Transportation Services | \$ 222,761 | \$ 12,397 | \$ 210,364 | \$ 217,230 | \$ 5,841 | \$ 211,389 |
| Other | \$ 719,907 | \$ 190,238 | \$ 529,669 | \$ 724,527 | \$ 204,033 | \$ 520,494 |
| Total Expenses | \$ 5,845,759 | \$ 1,280,203 | \$ 4,565,556 | \$ 5,310,325 | \$ 1,225,876 | \$ 4,084,449 |

- The cost of all governmental activities for 2008 was \$5,845,759. This is an increase of \$535,434, almost 10%, from 2007.
- \$628,001 of the above mentioned cost for 2008 was financed by the users of the District's programs. Federal and state governments subsidized certain programs with grants and contributions totaling \$652,202.
- The majority of the District's net costs of \$4,565,556, however, were financed by District taxpayers and the taxpayers of our state.
- The 2008 net cost portion of governmental activities was financed, in part, with \$2,245,622 in property taxes and \$1,988,327 in unrestricted state aid based on the statewide finance formula.

Business-Type Activities

Revenues of the District's business-type activities (food and nutrition services) were comprised of charges for services, federal and state reimbursements, and investment income.

- Business-type activity expenses exceeded revenues by \$20,999 in 2008. In 2007, expenses were greater than revenues by \$3,546. The main reason for this large decrease in net assets from 2008 to 2007, is that revenues stayed consistent at approximately \$147,000 in each year, while operating expenses increased from \$206,037 in 2007 to \$229,838.
- Charges for services represent \$147,333 or 70% of total revenue, while federal and state reimbursement for meals, including payments for free and reduced lunches was \$60,593 or 30% of total revenue. These percent to totals shifted slightly between years; in 2007 charges for services represented 73% while federal and state reimbursements accounted for 27% of total revenues. A slight decrease in students eating school lunches resulted in charges for services revenue not increasing between years.
- The 11.5% increase in operating expenses is partially due to salaries and benefits increasing by approximately 5.25% and the maintenance and replacement of aging kitchen equipment. Food and supplies expense increased by nearly 20%, in part due to inflation and gas surcharges being passed on to the District from vendors.
- Despite the decline in net assets for the year, the District's hot lunch fund ended with \$16,892 of net assets at year end for 2008.

Financial Analysis of the District's Funds

As previously noted, the Van Meter Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A summary financial analysis of each individual District fund follows:

Enterprise Fund Highlights

- As noted above, the **Nutrition Fund's** expenses exceeded revenues by \$20,999. Expenses in 2008 increased by nearly 11.5% while overall revenues only increased by 3%. This increase in revenues was due to state and federal sources increasing by 3%. Charges for services revenue (daily lunch sales) actually decreased slightly (by \$485) from 2007 to 2008, due to fewer meals being served.

Governmental Fund Highlights:

- The **General Fund** ending balance decreased from \$528,145 in 2007 to \$300,591 in 2008. The District's solvency ratio (unreserved ending balance/total revenues) for 2008 is 5.9%. Although the solvency ratio decreased from 10.9% in 2007, it is still within the Iowa Association of School Board's target range of 5-10%. This decline in the District's ending balance and solvency ratio were expected, primarily due to the 2008 budget enrollment (taken in October 2006) being down four students. Budget enrollment drives state funding for districts.
- General Fund revenues increased from \$4,733,918 in 2007 to \$4,818,374 in 2008, an increase of approximately 2%. General fund property taxes remained consistent between years. Although property valuations within the District increased by 7%, the general fund tax levy was reduced to \$11.16 in 2008, down from \$11.41 in 2007. The School Board decreased the general fund cash reserve levy in an effort to balance out the need for additional property taxes in the Management Fund (see below). They wanted to limit the increase to the District's overall tax levy. Nearly all of the \$80,000 increase to general fund revenues came in additional state funding of the state's Teacher Quality program.
- Expenses in the general fund increased by 11%, from \$4,539,079 in 2007 to \$5,045,928 in 2008. The majority of this increase in expenses is primarily due to a rise in instruction related expenses. The salaries and benefits package increased 5.25% for employees pursuant to the settlement reached between the Van Meter Education Association and School Board and the District increased their teaching staff by 1.5 full time equivalents in order to accommodate the additional 35 students attending Van Meter School.
- The **Management Fund's** ending balance increased from \$41,108 in 2007 to \$127,268 in 2008 primarily because the Board of Education levied \$150,000 of property taxes in 2008 compared to \$10,000 in 2007 in anticipation of upcoming early retirement payouts in 2009. After 2009, the early retirement policy will be inactive. In compliance with Iowa Code, only early retirement benefits and non-medical insurance are paid for out of the Management Fund.
- The **Physical Plant and Equipment Levy (PPEL) Fund** balance increased from \$8,540 in 2007 to \$134,298 in 2008. In 2008 the District recorded \$115,752 of capital lease proceeds resulting from a three year capital lease agreement of two buses. The Board of Directors continue to levy the maximum \$1.67/1000 for this fund.

- The **Capital Projects Fund** balance increased slightly from \$512,857 in 2007 to \$550,594 in 2008. The District received \$389,149 from the School Infrastructure Local Option Sales Tax dollars from Dallas and Madison Counties in 2008 and spent \$351,412 of this for construction expenses for the addition of a new secondary music room. Total cost of the music room addition will be just under one million dollars and should be completed in the first half of fiscal year 2009.
- The **Activity Fund** ending balance also increased from \$45,171 in 2007 to \$52,571 in 2008. This fund is used to record revenue and expenses involved with extra-curricular activities such as basketball, football, drama, drill team, class accounts, etc.
- The **Debt Service Fund** ending balance remained consistent, decreasing slightly from \$3,151,329 in 2007 to \$3,147,496 in 2008. This fund is used to pay principal, interest, and bank fees associated with the District's debt. All revenues are generated from property taxes which are levied to cover the District's debt expense for the given year. The District is holding \$3,122,139 of the Debt Service balance in escrow until May 2010 when the November 1, 2000 bonds can be called and refunded.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing for all funds, except blended component units, internal service funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. In 2008, the District did not need to amend their original certified budget. All expenses were well within the certified budget as it is the Management's practice to certify the maximum.

A line-item budget is also prepared by Management to monitor expenses and revenues on a monthly basis. District spending decisions are based on the amounts budgeted in attempt to have a positive ending balance each year. The District did not exceed the budgeted amount in any functional area for 2008.

Capital Assets

At June 30, 2008, the District had invested a total of \$6,966,793, net of accumulated depreciation of \$2,789,031, in a broad range of capital assets including buildings, athletic facilities, computers, audio-visual equipment, school nutrition equipment, and transportation equipment. As shown in Figure A-8, capital assets remained consistent between years.

| Capital Assets (net of depreciation) | | Figure A-8 | | | | | |
|--------------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|-----------|
| | Governmental Activities | | Business-Type Activities | | Totals | | % Change |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| Land | \$ 801,592 | \$ 801,592 | | | \$ 801,592 | \$ 801,592 | 0% |
| Construction in Progress | \$ 245,486 | \$ - | | | \$ 245,486 | \$ - | 100% |
| Buildings and Improvements | \$ 5,546,348 | \$ 5,661,412 | | | \$ 5,546,348 | \$ 5,661,412 | -2% |
| Equipment | \$ 360,383 | \$ 247,295 | \$ 12,984 | \$ 11,141 | \$ 373,367 | \$ 258,436 | 44% |
| Totals | \$ 6,953,809 | \$ 6,710,299 | \$ 12,984 | \$ 11,141 | \$ 6,966,793 | \$ 6,721,440 | 4% |

Long-Term Debt

At year end, the district had \$6,878,677 in general obligation debt and other long-term liabilities outstanding. The District issued \$3,155,000 of general obligation school refunding bonds in 2006 to crossover refund the November 1, 2000 general obligation bonds. Since this was a crossover refunding and did not qualify as a debt defeasance, the November 1, 2000 bonds remain as a long-term liability until their call date on May 1, 2010.

| Outstanding Long-Term Debt as of June 30, 2008 | | Figure A-9 | |
|---|-----------------------|--------------|----------|
| | Total School District | | |
| | | | |
| | 2008 | 2007 | % Change |
| General Obligation Bonds | \$ 6,720,000 | \$ 6,930,000 | -3.03% |
| Capital Loan Notes (PPEL) | \$ - | \$ 80,000 | -100.00% |
| Early Retirement | \$ 80,858 | \$ 81,962 | -1.35% |
| Capital Lease | \$ 74,785 | \$ - | 100.00% |
| Other | \$ 3,034 | \$ 3,335 | -9.03% |
| Total | \$ 6,878,677 | \$ 7,095,297 | -3.05% |
| | | | |

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- In October 2007, the District's budget enrollment jumped by 39.5 students to 597.8. This will be the District's 2009 budget enrollment. Since the state legislature has already determined that allowable growth will remain at 4% for 2009, the increase in students will result in additional funds for the District.
- However, in October 2008, the District's budget enrollment decreased by 13.1 students. This will be the District's 2010 budget enrollment. Since state funding is driven by allowable growth (set by the state legislature) and a district's enrollment, this will result in lower state aid for the District in fiscal year 2010. The state legislature has already determined that allowable growth will remain at 4% for 2010, however due to the state economy, the legislature could decide to lower allowable growth. Future enrollment trends are expected to increase due to new housing developments in the District as well as overall growth in the area. It will be important for the District to manage the fluctuating student enrollment and be prepared for lower than expected state aid.
- The Board of Education took action in October 2008 to re-open open enrollment in to the District which had been closed since June 2006 due to limited classroom space. Since the District receives tuition money for each student open enrolled in to the District, this will generate additional funds, approximately \$5500 per student per year.
- The overall economic development of Dallas and Madison counties will directly impact the District. Both counties have passed the one cent School Infrastructure Local Option sales tax (SILO). Retail sales and commercial growth in the area will largely impact the District's SILO funds as well as the District's taxable valuations. To date, retail sales in Dallas County have been higher than anticipated.
- In spring of 2008, the state legislature approved a statewide one cent sales tax. This will not impact the District's Dallas County or Madison County SILO revenues until these counties' SILO runs out in 2013 and 2014 respectively. However, this legislation does significantly impact the District's bonding capacity because it allows the District to borrow against future sales tax revenue.
- The Board of Education approved an Early Retirement policy effective for 2008 only but eligible retirees will have a two year window to retire and access benefits. Only those staff members eligible to retire in 2008 would qualify and they would be allowed to retire with the early retirement benefit after 2008 or 2009. Depending on the number of staff who take the early retirement option, the District will have to ensure the Management Fund is healthy enough to cover this impending cost by levying additional dollars in this fund.

- The national economy, the State of Iowa's budget, and future legislative decisions will impact schools significantly.

Contacting the District's Financial Management

The financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Greg DeTimmerman, Superintendent or Shonna Trudo, Business Manager, at Van Meter Community School District, PO Box 257, Van Meter, Iowa, 50261 or call (515) 996-9960.

This page intentionally left blank

Basic Financial Statements

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 1,663,403 | \$ 10,922 | \$ 1,674,325 |
| Investments held by fiscal agent (note 2) | 3,122,139 | | |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 28,613 | - | 28,613 |
| Succeeding year | 2,127,000 | - | 2,127,000 |
| Income surtax | 223,624 | - | 223,624 |
| Accounts | 659 | - | 659 |
| Due from other governments | 133,769 | - | 133,769 |
| Inventories | - | 3,174 | 3,174 |
| Restricted ISCAP assets (note 4): | | | |
| Investments | 409,309 | - | 409,309 |
| Accrued interest receivable | 155 | - | 155 |
| Capital assets, net of accumulated depreciation (note 5) | 6,953,809 | 12,984 | 6,966,793 |
| Total assets | 14,662,480 | 27,080 | 14,689,560 |
| Liabilities | | | |
| Accounts payable | 168,274 | 1,499 | 169,773 |
| Salaries and benefits payable | 463,836 | 3,167 | 467,003 |
| Accrued interest payable | 55,122 | - | 55,122 |
| ISCAP warrants payable (note 4) | 406,000 | - | 406,000 |
| ISCAP accrued interest payable (note 4) | 156 | - | 156 |
| ISCAP unamortized premium (note 4) | 6,963 | - | 6,963 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,127,000 | - | 2,127,000 |
| Other | - | 5,522 | 5,522 |
| Long-term liabilities (note 6): | | | |
| Portion due within one year: | | | |
| Early retirement | 31,104 | - | 31,104 |
| Capital lease | 35,746 | - | 35,746 |
| Bonds payable | 220,000 | - | 220,000 |
| Compensated absences | 3,034 | - | 3,034 |
| Portion due after one year: | | | |
| Early retirement | 49,754 | - | 49,754 |
| Capital lease | 39,039 | - | 39,039 |
| Bonds payable | 6,500,000 | - | 6,500,000 |
| Total liabilities | 10,106,028 | 10,188 | 10,116,216 |

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 3,281,163 | \$ 12,984 | \$ 3,294,147 |
| Restricted for: | | | |
| Management levy | 46,410 | - | 46,410 |
| Physical plant and equipment levy | 134,298 | - | 134,298 |
| Other special revenue purposes | 52,571 | - | 52,571 |
| Capital projects | 550,594 | - | 550,594 |
| Unrestricted | 491,416 | 3,908 | 495,324 |
| Total net assets | \$ 4,556,452 | \$ 16,892 | \$ 4,573,344 |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | |
|---|---------------------|----------------------|---|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,406,808 | \$ 403,029 | \$ 353,389 | \$ - |
| Special instruction | 459,109 | 47,962 | 47,331 | - |
| Other instruction | 518,541 | 171,414 | 9,635 | - |
| | <u>3,384,458</u> | <u>622,405</u> | <u>410,355</u> | <u>-</u> |
| Support services: | | | | |
| Student services | 142,835 | - | 4,305 | - |
| Instructional staff services | 227,309 | 5,596 | 25,624 | - |
| Administration services | 714,759 | - | - | - |
| Operation and maintenance of plant services | 433,730 | - | 9,283 | - |
| Transportation services | 222,761 | - | 12,397 | - |
| | <u>1,741,394</u> | <u>5,596</u> | <u>51,609</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 25,811 | - | - | 12,500 |
| Long-term debt interest and fiscal charges | 330,586 | - | - | - |
| AEA flowthrough | 177,738 | - | 177,738 | - |
| Depreciation (unallocated) * | 185,772 | - | - | - |
| | <u>719,907</u> | <u>-</u> | <u>177,738</u> | <u>12,500</u> |
| Total governmental activities | <u>5,845,759</u> | <u>628,001</u> | <u>639,702</u> | <u>12,500</u> |
| Business-Type Activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | <u>229,838</u> | <u>147,333</u> | <u>60,593</u> | <u>-</u> |
| Total | <u>\$ 6,075,597</u> | <u>\$ 775,334</u> | <u>\$ 700,295</u> | <u>\$ 12,500</u> |

Net (Expense) Revenue
and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|--------------------|
| \$ (1,650,390) | \$ - | \$ (1,650,390) |
| (363,816) | - | (363,816) |
| (337,492) | - | (337,492) |
| <u>(2,351,698)</u> | <u>-</u> | <u>(2,351,698)</u> |
| (138,530) | - | (138,530) |
| (196,089) | - | (196,089) |
| (714,759) | - | (714,759) |
| (424,447) | - | (424,447) |
| (210,364) | - | (210,364) |
| <u>(1,684,189)</u> | <u>-</u> | <u>(1,684,189)</u> |
| (13,311) | - | (13,311) |
| (330,586) | - | (330,586) |
| - | - | - |
| (185,772) | - | (185,772) |
| <u>(529,669)</u> | <u>-</u> | <u>(529,669)</u> |
| <u>(4,565,556)</u> | <u>-</u> | <u>(4,565,556)</u> |
| - | (21,912) | (21,912) |
| <u>(4,565,556)</u> | <u>(21,912)</u> | <u>(4,587,468)</u> |

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Capital contributions
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
 in the direct expenses of the various programs.

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|--------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ 1,610,583 | \$ - | \$ 1,610,583 |
| 413,251 | - | 413,251 |
| 221,788 | - | 221,788 |
| 265,839 | - | 265,839 |
| 389,149 | - | 389,149 |
| 1,988,327 | - | 1,988,327 |
| 159,416 | 913 | 160,329 |
| 44,191 | - | 44,191 |
| 5,092,544 | 913 | 5,093,457 |
| 526,988 | (20,999) | 505,989 |
| 4,029,464 | 37,891 | 4,067,355 |
| \$ 4,556,452 | \$ 16,892 | \$ 4,573,344 |

VAN METER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

| | General | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 770,977 | \$ 19,952 | \$ 872,474 | \$ 1,663,403 |
| Investments held by fiscal agent (note 2) | - | 3,122,139 | - | 3,122,139 |
| Receivables: | | | | |
| Property tax: | | | | |
| Current year | 18,416 | 5,405 | 4,792 | 28,613 |
| Succeeding year | 1,471,000 | 358,000 | 298,000 | 2,127,000 |
| Income surtax | 223,624 | - | - | 223,624 |
| Accounts | 659 | - | - | 659 |
| Due from other governments | 60,776 | - | 72,993 | 133,769 |
| Restricted ISCAP assets (note 4): | | | | |
| Investments | 409,309 | - | - | 409,309 |
| Accrued interest receivable | 155 | - | - | 155 |
| Total assets | <u>\$ 2,954,916</u> | <u>\$ 3,505,496</u> | <u>\$ 1,248,259</u> | <u>\$ 7,708,671</u> |

VAN METER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

| | General | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|-----------------------------------|--------------------------------|
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 82,746 | \$ - | \$ 85,528 | \$ 168,274 |
| Salaries and benefits payable | 463,836 | - | - | 463,836 |
| ISCAP warrants payable (note 4) | 406,000 | - | - | 406,000 |
| ISCAP accrued interest payable (note 4) | 156 | - | - | 156 |
| ISCAP unamortized premium (note 4) | 6,963 | - | - | 6,963 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,471,000 | 358,000 | 298,000 | 2,127,000 |
| Other | 223,624 | - | - | 223,624 |
| Total liabilities | <u>2,654,325</u> | <u>358,000</u> | <u>383,528</u> | <u>3,395,853</u> |
| Fund balance: | | | | |
| Reserved for: | | | | |
| State grants | 18,214 | - | - | 18,214 |
| Debt service | - | 3,147,496 | - | 3,147,496 |
| Unreserved: | | | | |
| Reported in nonmajor Special | | | | |
| Revenue Funds | - | - | 314,137 | 314,137 |
| Undesignated | 282,377 | - | 550,594 | 832,971 |
| Total fund balances | <u>300,591</u> | <u>3,147,496</u> | <u>864,731</u> | <u>4,312,818</u> |
| Total liabilities and fund balances | <u>\$ 2,954,916</u> | <u>\$ 3,505,496</u> | <u>\$ 1,248,259</u> | <u>\$ 7,708,671</u> |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2008

| | |
|---|---------------------|
| Total fund balances of governmental funds | \$ 4,312,818 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 6,953,809 |
| Other long-term assets, including income surtax receivable, are not available to to pay current period expenditures and, therefore, are deferred in the governmental funds. | 223,624 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (55,122) |
| Long-term liabilities, including capital leases, bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(6,878,677)</u> |
| Net assets of governmental activities | <u>\$ 4,556,452</u> |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

| | General | Debt Service | Nonmajor Governmental Funds | Total |
|--|--------------|-----------------|-----------------------------------|--------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 1,684,525 | \$ 413,251 | \$ 760,847 | \$ 2,858,623 |
| Tuition | 432,871 | - | - | 432,871 |
| Other | 93,309 | 121,492 | 216,796 | 431,597 |
| State sources | 2,490,675 | - | 66 | 2,490,741 |
| Federal sources | 116,994 | - | - | 116,994 |
| Total revenues | 4,818,374 | 534,743 | 977,709 | 6,330,826 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 3,197,860 | - | 175,987 | 3,373,847 |
| Support services: | | | | |
| Student services | 142,830 | - | - | 142,830 |
| Instructional staff services | 223,210 | - | 4,099 | 227,309 |
| Administration services | 677,455 | - | 48,553 | 726,008 |
| Operation and maintenance of plant services | 396,710 | - | 19,011 | 415,721 |
| Transportation services | 230,125 | - | 123,305 | 353,430 |
| | 1,670,330 | - | 194,968 | 1,865,298 |
| Other expenditures: | | | | |
| Facilities acquisition | - | - | 342,004 | 342,004 |
| Long term debt: | | | | |
| Principal | - | 330,967 | - | 330,967 |
| Interest and fiscal charges | - | 331,056 | - | 331,056 |
| AEA flowthrough | 177,738 | - | - | 177,738 |
| | 177,738 | 662,023 | 342,004 | 1,181,765 |
| Total expenditures | 5,045,928 | 662,023 | 712,959 | 6,420,910 |
| Excess (deficiency) of revenues over (under) expenditures | (227,554) | (127,280) | 264,750 | (90,084) |

VAN METER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

| | General | Debt Service | Nonmajor Governmental Funds | Total |
|--------------------------------------|-------------------|---------------------|-----------------------------------|---------------------|
| Other financing sources (uses): | | | | |
| Proceeds from capital leases | \$ - | \$ - | \$ 115,752 | \$ 115,752 |
| Interfund transfers in (note 3) | - | 123,447 | - | 123,447 |
| Interfund transfers out (note 3) | - | - | (123,447) | (123,447) |
| Total other financing sources (uses) | - | 123,447 | (7,695) | 115,752 |
| Net change in fund balances | (227,554) | (3,833) | 257,055 | 25,668 |
| Fund balances beginning of year | 528,145 | 3,151,329 | 607,676 | 4,287,150 |
| Fund balances end of year | \$ <u>300,591</u> | \$ <u>3,147,496</u> | \$ <u>864,731</u> | \$ <u>4,312,818</u> |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 25,668

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 486,946 | |
| Depreciation expense | <u>(243,436)</u> | 243,510 |

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 41,921

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (115,752)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 330,967

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (731)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 1,405

Change in net assets of governmental activities \$ 526,988

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2008

| | <u>School Nutrition</u> |
|--|-----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 10,922 |
| Inventories | 3,174 |
| Capital assets, net of accumulated depreciation (note 5) | <u>12,984</u> |
| Total assets | <u>27,080</u> |
| Liabilities | |
| Accounts payable | 1,499 |
| Salaries and benefits payable | 3,167 |
| Deferred revenue | <u>5,522</u> |
| Total liabilities | <u>10,188</u> |
| Net Assets | |
| Invested in capital assets | 12,984 |
| Unrestricted | <u>3,908</u> |
| Total net assets | <u>\$ 16,892</u> |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2008

| | <u>School Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for services | \$ <u>147,333</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 62,577 |
| Benefits | 22,901 |
| Purchased services | 806 |
| Supplies | 139,525 |
| Depreciation | 3,677 |
| Other | <u>352</u> |
| | <u>229,838</u> |
| Operating loss | <u>(82,505)</u> |
| Non-operating revenues: | |
| Interest on investments | 913 |
| State sources | 2,713 |
| Federal sources | <u>57,880</u> |
| Total non-operating revenues | <u>61,506</u> |
| Change in net assets | (20,999) |
| Net assets beginning of year | <u>37,891</u> |
| Net assets end of year | \$ <u><u>16,892</u></u> |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2008

| | <u>School Nutrition</u> |
|--|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 145,719 |
| Cash received from miscellaneous operating activities | 3,778 |
| Cash payments to employees for services | (84,784) |
| Cash payments to suppliers for goods or services | <u>(136,249)</u> |
| Net cash used by operating activities | <u>(71,536)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 2,713 |
| Federal grants received | <u>53,110</u> |
| Net cash provided by non-capital financing activities | <u>55,823</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>(5,520)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>913</u> |
| Net decrease in cash and cash equivalents | (20,320) |
| Cash and cash equivalents beginning of year | <u>31,242</u> |
| Cash and cash equivalents end of year | \$ <u><u>10,922</u></u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (82,505) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 3,677 |
| Commodities used | 4,770 |
| (Increase) in inventories | (925) |
| Increase in accounts payable | 589 |
| Increase in salaries and benefits payable | 694 |
| Increase in deferred revenue | <u>2,164</u> |
| Net cash used by operating activities | \$ <u><u>(71,536)</u></u> |
| Non-cash investing, capital and financing activities: | |
| During the year ended June 30, 2008, the District received \$4,770 of federal commodities. | |

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008

| | <u>Agency</u> |
|------------------------------------|------------------|
| Assets: | |
| Due from other governments | \$ <u>19,896</u> |
| Liabilities: | |
| Due to other governments | \$ <u>19,896</u> |
| See notes to financial statements. | |

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

Van Meter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Van Meter, Iowa, and agricultural territory in Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Van Meter Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Van Meter Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

Related Organization – The Van Meter Education Foundation is a related organization with the Van Meter Community School District. The Foundation is independent from the District and the District is not financially dependent upon the Foundation nor obligated for any Foundation debt instruments.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund, used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Investments Held by Fiscal Agent – Proceeds from the District's refunding bond issue are held by a fiscal agent in anticipation of the May 1, 2010 call date of the refunded bonds. These proceeds are all invested in U.S. Treasury Notes.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 2,500 |
| Buildings | 2,500 |
| Improvements other than buildings | 2,500 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 2,500 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings | 40 years |
| Improvements other than buildings | 20-40 years |
| Furniture and equipment | 5-20 years |

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$783,873.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had the following investments:

| | Amortized Cost/ Fair Value |
|---|-------------------------------|
| U.S. Treasury Notes | \$ 3,122,139 |
| Iowa Schools Joint Investment Trust - Diversified Portfolio | <u>1,109,052</u> |
| | <u>\$ 4,231,191</u> |

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in U.S. Treasury Notes are reported at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The investment in U.S. Treasury notes is not subject to risk analysis.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-----------------------------------|-------------------|
| Debt Service | Special Revenue: | |
| | Physical Plant and Equipment Levy | \$ <u>123,447</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

| <u>Series</u> | <u>Warrant Date</u> | <u>Final Warrant Maturity</u> | <u>Investments</u> | <u>Accrued Interest Receivable</u> | <u>Warrants Payable</u> | <u>Accrued Interest Payable</u> | <u>Unamortized Premium</u> |
|---------------|---------------------|-------------------------------|--------------------|------------------------------------|-------------------------|---------------------------------|----------------------------|
| 2008-09A | 6/26/2008 | 6/25/2009 | \$ <u>409,309</u> | \$ <u>155</u> | \$ <u>406,000</u> | \$ <u>156</u> | \$ <u>6,963</u> |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| <u>Series</u> | <u>Interest Rates on Warrants</u> | <u>Interest Rates on Investments</u> |
|---------------|-----------------------------------|--------------------------------------|
| 2008-09A | 3.50% | 3.469% |

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|------------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 801,592 | \$ - | \$ - | \$ 801,592 |
| Construction in progress | - | 245,486 | - | 245,486 |
| Total capital assets not being depreciated | 801,592 | 245,486 | - | 1,047,078 |
| Capital assets being depreciated: | | | | |
| Buildings | 7,659,470 | 70,708 | - | 7,730,178 |
| Furniture and equipment | 722,337 | 170,752 | - | 893,089 |
| Total capital assets being depreciated | 8,381,807 | 241,460 | - | 8,623,267 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,998,058 | 185,772 | - | 2,183,830 |
| Furniture and equipment | 475,042 | 57,664 | - | 532,706 |
| Total accumulated depreciation | 2,473,100 | 243,436 | - | 2,716,536 |
| Total capital assets being depreciated, net | 5,908,707 | (1,976) | - | 5,906,731 |
| Governmental activities capital assets, net | \$ 6,710,299 | \$ 243,510 | \$ - | \$ 6,953,809 |

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets (continued)

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------------|-------------|---------------------------|
| Business-type activities: | | | | |
| Furniture and equipment | \$ 79,959 | \$ 5,520 | \$ - | \$ 85,479 |
| Less accumulated depreciation | <u>68,818</u> | <u>3,677</u> | <u>-</u> | <u>72,495</u> |
| Business-type activities capital assets, net | <u>\$ 11,141</u> | <u>\$ 1,843</u> | <u>\$ -</u> | <u>\$ 12,984</u> |

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 12,066

 Support services:

 Operation and maintenance of plant services

5,514

 Transportation

40,084

57,664

Unallocated depreciation

185,772

Total governmental activities depreciation expense

\$ 243,436

Business-type activities:

 Food service operations

\$ 3,677

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

| | Early Retirement | Capital Lease | General Obligation Bonds | Capital Loan Notes | Compensated Absences | Total |
|---------------------------|---------------------|------------------|--------------------------------|--------------------------|-------------------------|---------------------|
| Balance beginning of year | \$ 81,962 | \$ - | \$ 6,930,000 | \$ 80,000 | \$ 3,335 | \$ 7,095,297 |
| Additions | 20,000 | 115,752 | - | - | 3,034 | 138,786 |
| Reductions | 21,104 | 40,967 | 210,000 | 80,000 | 3,335 | 355,406 |
| Balance end of year | <u>\$ 80,858</u> | <u>\$ 74,785</u> | <u>\$ 6,720,000</u> | <u>\$ -</u> | <u>\$ 3,034</u> | <u>\$ 6,878,677</u> |
| Due within one year | <u>\$ 31,104</u> | <u>\$ 35,746</u> | <u>\$ 220,000</u> | <u>\$ -</u> | <u>\$ 3,034</u> | <u>\$ 289,884</u> |

Early Retirement

The District offered a voluntary early retirement plan to its certified and classified employees for the year ended June 30, 2008. Eligible employees must be at least age fifty-five and employees must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$20,000 per individual, paid directly into a tax-sheltered annuity in two equal payments over two consecutive years. The District also has early retirement liabilities based on prior year plans. Details of these plans are available upon request of the District's administrative office.

At June 30, 2008, the District has obligations to six participants with a total liability of \$80,858. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$21,104. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Capital Lease

During the year ended June 30, 2008, the District entered into a capital lease for the purchase of two buses.

The lease requires three annual payments of \$40,967 and has an annual interest percentage rate of 4.99%.

Details of the District's June 30, 2008 capital lease indebtedness are as follows:

| Year Ending June 30, | Interest | Principal | Total |
|-------------------------|-----------------|------------------|------------------|
| 2009 | \$ 5,221 | \$ 35,746 | \$ 40,967 |
| 2010 | 1,927 | 39,039 | 40,966 |
| | <u>\$ 7,148</u> | <u>\$ 74,785</u> | <u>\$ 81,933</u> |

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of November 1, 2000 | | | Bond Issue of February 1, 1999 | | |
|-------------------------|--------------------------------|---------------------|---------------------|--------------------------------|-----------------|------------------|
| | Interest Rates | Interest | Principal | Interest Rates | Interest | Principal |
| 2009 | 6.250 % | \$ 189,991 | \$ 175,000 | 4.20 % | \$ 1,890 | \$ 45,000 |
| 2010 | 6.250 | 179,054 | 230,000 | - | - | - |
| 2011 | 5.000 | 164,679 | 245,000 | - | - | - |
| 2012 | 5.100 | 152,429 | 255,000 | - | - | - |
| 2013 | 5.200 | 139,424 | 270,000 | - | - | - |
| 2014 | 5.250 | 125,384 | 285,000 | - | - | - |
| 2015 | 5.300 | 110,421 | 300,000 | - | - | - |
| 2016 | 5.350 | 94,521 | 315,000 | - | - | - |
| 2017 | 5.375 | 77,669 | 335,000 | - | - | - |
| 2018 | 5.375 | 59,662 | 350,000 | - | - | - |
| 2019 | 5.375 | 40,850 | 370,000 | - | - | - |
| 2020 | 5.375 | 20,962 | 390,000 | - | - | - |
| | | <u>\$ 1,355,046</u> | <u>\$ 3,520,000</u> | | <u>\$ 1,890</u> | <u>\$ 45,000</u> |

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

| Year Ending June 30, | Bond Issue of November 1, 2005 | | | Total | |
|-------------------------|--------------------------------|-------------------|---------------------|---------------------|---------------------|
| | Interest Rates | Interest | Principal | Interest | Principal |
| 2009 | 4.00 % | \$ 125,057 | \$ - | \$ 316,938 | \$ 220,000 |
| 2010 | 4.00 | 125,058 | - | 304,112 | 230,000 |
| 2011 | 4.00 | 125,057 | 260,000 | 289,736 | 505,000 |
| 2012 | 4.00 | 114,658 | 270,000 | 267,087 | 525,000 |
| 2013 | 4.00 | 103,857 | 285,000 | 243,281 | 555,000 |
| 2014 | 4.00 | 92,458 | 295,000 | 217,842 | 580,000 |
| 2015 | 4.00 | 80,657 | 310,000 | 191,078 | 610,000 |
| 2016 | 3.80 | 68,258 | 320,000 | 162,779 | 635,000 |
| 2017 | 3.85 | 56,097 | 335,000 | 133,766 | 670,000 |
| 2018 | 4.00 | 43,200 | 345,000 | 102,862 | 695,000 |
| 2019 | 4.00 | 29,400 | 360,000 | 70,250 | 730,000 |
| 2020 | 4.00 | 15,000 | 375,000 | 35,962 | 765,000 |
| | | <u>\$ 978,757</u> | <u>\$ 3,155,000</u> | <u>\$ 2,335,693</u> | <u>\$ 6,720,000</u> |

During the year ended June 30, 2008, the District retired \$210,000 in general obligation bonds.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$184,064, \$158,376, and \$144,781, respectively, equal to the required contributions for each year.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 8. Risk Management

Van Meter Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$177,738 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District has entered into a contract totaling \$816,800 for a music room addition. As of June 30, 2008, costs of \$181,612 had been incurred against the contract. The balance of \$635,188 remaining at June 30, 2008 will be paid as work on the project progresses.

Note 11. Contingent Liability

The District is involved in an ongoing lawsuit alleging inappropriate contact with a student by a District employee. The District's insurance carrier is affording coverage for this case.

This page intentionally left blank

Required Supplementary Information

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2008

| | Governmental Funds - Actual | Proprietary Fund - Actual | Total Actual | Budgeted Amounts Original and Final | Final to Actual Variance |
|--|-----------------------------------|---------------------------------|-----------------|---|--------------------------------|
| REVENUES: | | | | | |
| Local sources | \$ 3,723,091 | \$ 148,246 | \$ 3,871,337 | \$ 4,127,614 | \$ (256,277) |
| Intermediate sources | - | - | - | 15,000 | (15,000) |
| State sources | 2,490,741 | 2,713 | 2,493,454 | 2,372,258 | 121,196 |
| Federal sources | 116,994 | 57,880 | 174,874 | 141,000 | 33,874 |
| Total revenues | 6,330,826 | 208,839 | 6,539,665 | 6,655,872 | (116,207) |
| EXPENDITURES/EXPENSES: | | | | | |
| Instruction | 3,373,847 | - | 3,373,847 | 3,924,134 | 550,287 |
| Support services | 1,865,298 | - | 1,865,298 | 2,355,709 | 490,411 |
| Non-instructional programs | - | 229,838 | 229,838 | 352,872 | 123,034 |
| Other expenditures | 1,181,765 | - | 1,181,765 | 1,456,975 | 275,210 |
| Total expenditures/expenses | 6,420,910 | 229,838 | 6,650,748 | 8,089,690 | 1,438,942 |
| Excess (deficiency) of revenues over (under) expenditures/ expenses | (90,084) | (20,999) | (111,083) | (1,433,818) | 1,322,735 |
| Other financing sources, net | 115,752 | - | 115,752 | - | 115,752 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses | 25,668 | (20,999) | 4,669 | (1,433,818) | 1,438,487 |
| Balance beginning of year | 4,287,150 | 37,891 | 4,325,041 | 4,706,401 | (381,360) |
| Balance end of year | \$ 4,312,818 | \$ 16,892 | \$ 4,329,710 | \$ 3,272,583 | \$ 1,057,127 |

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

This page intentionally left blank

Other Supplementary Information

VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

| | Special Revenue | | | | |
|-----------------------------------|--------------------|---------------------|--|---------------------|---------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Capital Projects | Total |
| Assets | | | | | |
| Cash and pooled investments | \$ 127,566 | \$ 52,595 | \$ 131,397 | \$ 560,916 | \$ 872,474 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 1,891 | - | 2,901 | - | 4,792 |
| Succeeding year | 87,000 | - | 211,000 | - | 298,000 |
| Due from other governments | - | - | - | 72,993 | 72,993 |
| Total assets | <u>\$ 216,457</u> | <u>\$ 52,595</u> | <u>\$ 345,298</u> | <u>\$ 633,909</u> | <u>\$ 1,248,259</u> |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,189 | \$ 24 | \$ - | \$ 83,315 | \$ 85,528 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 87,000 | - | 211,000 | - | 298,000 |
| Total liabilities | <u>89,189</u> | <u>24</u> | <u>211,000</u> | <u>83,315</u> | <u>383,528</u> |
| Fund equity: | | | | | |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Undesignated | <u>127,268</u> | <u>52,571</u> | <u>134,298</u> | <u>550,594</u> | <u>864,731</u> |
| Total liabilities and fund equity | <u>\$ 216,457</u> | <u>\$ 52,595</u> | <u>\$ 345,298</u> | <u>\$ 633,909</u> | <u>\$ 1,248,259</u> |

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

| | Special Revenue | | | | |
|--|--------------------|---------------------|--|---------------------|------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Capital Projects | Total |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 149,910 | \$ - | \$ 221,788 | \$ 389,149 | \$ 760,847 |
| Other | 14,879 | 171,413 | 30,504 | - | 216,796 |
| State sources | 66 | - | - | - | 66 |
| Total revenues | 164,855 | 171,413 | 252,292 | 389,149 | 977,709 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 11,974 | 164,013 | - | - | 175,987 |
| Support services: | | | | | |
| Instructional staff services | 4,099 | - | - | - | 4,099 |
| Administration services | 36,058 | - | - | 12,495 | 48,553 |
| Operation and maintenance of plant services | 19,011 | - | - | - | 19,011 |
| Transportation services | 7,553 | - | 115,752 | - | 123,305 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 3,087 | 338,917 | 342,004 |
| Total expenditures | 78,695 | 164,013 | 118,839 | 351,412 | 712,959 |
| Excess of revenues over expenditures | 86,160 | 7,400 | 133,453 | 37,737 | 264,750 |
| Other financing sources (uses): | | | | | |
| Proceeds from capital leases | - | - | 115,752 | - | 115,752 |
| Interfund transfers out | - | - | (123,447) | - | (123,447) |
| Total other financing sources (uses) | - | - | (7,695) | - | (7,695) |
| Net change in fund balances | 86,160 | 7,400 | 125,758 | \$ 37,737 | \$ 257,055 |
| Fund balances beginning of year | 41,108 | 45,171 | 8,540 | 512,857 | 607,676 |
| Fund balances end of year | \$ 127,268 | \$ 52,571 | \$ 134,298 | \$ 550,594 | \$ 864,731 |

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|----------|--------------|---------------------------|
| Annual | \$ 2,554 | \$ 9,909 | \$ 12,463 | \$ - |
| Athletics | 1,549 | 69,319 | 67,035 | 3,833 |
| Baseball | 86 | 6,800 | 4,845 | 2,041 |
| Basketball - Boys | 592 | 4,080 | 3,847 | 825 |
| Basketball - Girls | - | 5,236 | 4,389 | 847 |
| Book Fair | 1,115 | 10,480 | 11,595 | - |
| Book Tournament | 124 | 90 | 161 | 53 |
| Boxtops for Education | 866 | 1,465 | 1,727 | 604 |
| Cap and Gown | 405 | 860 | 825 | 440 |
| Class of 2007 | 476 | - | - | 476 |
| Class of 2008 | 308 | - | 307 | 1 |
| Class of 2009 | 1,671 | 5,718 | 6,708 | 681 |
| Class of 2010 | 4,581 | 150 | 543 | 4,188 |
| Class of 2011 | 3,863 | 406 | 105 | 4,164 |
| Class of 2012 | 3,450 | 2,653 | 175 | 5,928 |
| Class of 2013 | 268 | 2,247 | 52 | 2,463 |
| Dance Squad | 1,036 | 585 | - | 1,621 |
| District Music | 337 | - | - | 337 |
| Drama | 2,265 | 1,306 | 677 | 2,894 |
| Elementary Music - Resale | - | 476 | 441 | 35 |
| Elementary Science Club | 547 | 5 | 64 | 488 |
| Elementary Yearbook | - | - | - | - |
| Fieldtrips | 733 | 4,298 | 4,656 | 375 |
| Football | 2,909 | 18,544 | 16,102 | 5,351 |
| Golf | 1 | 3,115 | 3,116 | - |
| Heart Association | 247 | - | - | 247 |
| Huss Memorial | 260 | - | - | 260 |
| Interest - Checking | 633 | 48 | 349 | 332 |
| Interest Public Funds | 648 | - | - | 648 |
| Junior Achievement | 162 | - | - | 162 |
| Junior High Baseball | - | 190 | - | 190 |
| Junior High Boys Basketball | 87 | - | - | 87 |
| Junior High Girls Basketball | 398 | - | 398 | - |
| Junior High Softball | - | 681 | 681 | - |
| Junior High Volleyball | 232 | - | - | 232 |
| Kids in Culture | - | 935 | 500 | 435 |
| National Honor Society | 412 | 958 | 1,316 | 54 |
| Pep Club | 1,058 | 4,161 | 3,770 | 1,449 |
| Pottery | 1,005 | - | - | 1,005 |
| Puppy Dog Olympics | - | 911 | 646 | 265 |
| Reading Incentive | 380 | 686 | 630 | 436 |

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|------------------------|---------------------------------|------------|--------------|---------------------------|
| Reading Night | \$ 202 | \$ - | \$ - | 202 |
| Softball | 1,220 | 2,470 | 2,973 | 717 |
| Spanish Club | 425 | - | - | 425 |
| Steele Memorial | 75 | 400 | - | 475 |
| Stewart Memorial | 764 | - | - | 764 |
| Student Council | 257 | 5,654 | 5,013 | 898 |
| Student Lead Drama | - | 1,037 | 292 | 745 |
| Student Pictures | 3,799 | - | 2,289 | 1,510 |
| Summer Recreation | - | - | - | - |
| Technology Club | 426 | - | - | 426 |
| Third Grade Quilt Club | - | 120 | 119 | 1 |
| Track - Boys | 614 | 500 | - | 1,114 |
| Track - Girls | 51 | 73 | 93 | 31 |
| Track - JH Boys | - | 20 | 20 | - |
| Track - JH Girls | 112 | 355 | 301 | 166 |
| Volleyball | 1,072 | 4,492 | 4,810 | 754 |
| Wallace Summer Program | 896 | - | - | 896 |
| Intrafund Transfers | - | (20) | (20) | - |
| Total | \$ 45,171 | \$ 171,413 | \$ 164,013 | \$ 52,571 |

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2008

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|----------------------------|---------------------------------|------------|------------|---------------------------|
| Assets | | | | |
| Due from other governments | \$ 20,008 | \$ 120,141 | \$ 120,253 | \$ 19,896 |
| Liabilities | | | | |
| Due to other governments | \$ 20,008 | \$ 120,141 | \$ 120,253 | \$ 19,896 |

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

| | | Modified Accrual Basis Years Ended June 30, | | | | | | | | | |
|--|----|--|------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | | | | | |
| Revenues: | | | | | | | | | | | |
| Local sources: | | | | | | | | | | | |
| Local tax | \$ | 2,858,623 | \$ | 2,649,929 | \$ | 2,503,077 | \$ | 2,387,738 | \$ | 2,206,697 | |
| Tuition | | 432,871 | | 472,837 | | 391,969 | | 300,265 | | 296,314 | |
| Other | | 431,597 | | 366,389 | | 282,494 | | 221,687 | | 205,726 | |
| State sources | | 2,490,741 | | 2,410,182 | | 2,219,868 | | 1,941,464 | | 1,927,381 | |
| Federal sources | | 116,994 | | 110,300 | | 129,429 | | 201,293 | | 222,650 | |
| Total revenues | | \$ | <u>6,330,826</u> | \$ | <u>6,009,637</u> | \$ | <u>5,526,837</u> | \$ | <u>5,052,447</u> | \$ | <u>4,858,768</u> |
| Expenditures: | | | | | | | | | | | |
| Instruction | \$ | 3,373,847 | \$ | 2,997,996 | \$ | 2,858,668 | \$ | 2,670,722 | \$ | 2,516,794 | |
| Support services: | | | | | | | | | | | |
| Student services | | 142,830 | | 154,566 | | 135,302 | | 130,739 | | 119,489 | |
| Instructional staff services | | 227,309 | | 218,482 | | 233,523 | | 279,129 | | 232,053 | |
| Administration services | | 726,008 | | 662,177 | | 646,254 | | 531,237 | | 489,930 | |
| Operation and maintenance of plant services | | 415,721 | | 372,945 | | 486,722 | | 370,932 | | 304,050 | |
| Transportation services | | 353,430 | | 177,820 | | 143,044 | | 185,319 | | 108,451 | |
| Other expenditures: | | | | | | | | | | | |
| Facilities acquisition | | 342,004 | | 31,641 | | 827,646 | | 301,395 | | 248,412 | |
| Long-term debt: | | | | | | | | | | | |
| Principal | | 330,967 | | 280,000 | | 270,000 | | 255,000 | | 250,000 | |
| Interest and fiscal charges | | 331,056 | | 342,008 | | 292,308 | | 239,631 | | 249,397 | |
| AEA flowthrough | | 177,738 | | 169,033 | | 152,401 | | 137,762 | | 140,786 | |
| Total expenditures | | \$ | <u>6,420,910</u> | \$ | <u>5,406,668</u> | \$ | <u>6,045,868</u> | \$ | <u>5,101,866</u> | \$ | <u>4,659,362</u> |

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Van Meter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Meter Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Van Meter Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Meter Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Van Meter Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Van Meter Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Van Meter Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Meter Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Van Meter Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Van Meter Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Van Meter Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Van Meter Community School District and other parties to whom Van Meter Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Van Meter Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 21, 2008

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

- I-A-08 Financial Reporting – During the audit, we identified one material payable not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include this amount in the financial statements.

Recommendation – The District should implement procedures to ensure all payables are identified and included in the District’s financial statements.

Response – This was an unusual circumstance relating to a construction billing. The contractor’s request for payment came in after we had prepared our accrual entries and, as a result, was accidentally omitted from our reports. We will double check these in the future to avoid missing any accrual items.

Conclusion – Response accepted.

- I-B-08 Fundraisers – We noted that fundraisers of student organizations are not approved by the administration. Also, the control procedures over fundraising activities are very lax and a reconciliation of fundraiser revenues to the related deposits and fundraiser costs is not always prepared.

Recommendation – The District should ensure that all fundraisers are reviewed and approved by the appropriate member of the administration before the event occurs. Also, a listing of the ongoing fundraising activities should be provided to the appropriate accounting personnel. An accounting of the estimated and actual profit or loss of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

Response – We will be reviewing and implementing new fundraiser procedures for the year ending June 30, 2008.

Conclusion – Response accepted.

- I-C-08 Gate Admissions – The athletic event gate admissions and change box were not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – Our field and lot access are not arranged in such a manner as to make a reconciliation of receipts to prenumbered tickets possible. We will review our controls and procedures and make any changes possible.

Conclusion – Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- II-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|----------------------------|--------|
| Dan Phillips, Board President | Score keeper/line judge | \$ 215 |

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year.

- II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

This document was created with Win2PDF available at <http://www.win2pdf.com>.
The unregistered version of Win2PDF is for evaluation or non-commercial use only.